

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 08/15)

Local Year 2016/17	Business Unit 3360	Department California Energy Commission	Priority No.
Budget Request Name 3360-005-BCP-DF-2016-05		Program DEVELOPMENT	Subprogram RESEARCH AND DEVELOPMENT

Budget Request Description
Adjustments to Electric Program Investment Charge (EPIC) Funding

Budget Request Summary

The Energy Commission requests an increase of \$11.194 million in Electric Program Investment Charge (EPIC) program and administration funds in Fiscal Year 2016/17. This inflation escalation and budget adjustment increase was approved by the California Public Utilities Commission (CPUC) for the implementation of the EPIC program and documented in the CPUC Decision 15-04-020 issued on April 9, 2015. Additionally, the Energy Commission requests \$4.5 million in one-time technical assistance from the EPIC fund for technical support activities. The total request is for \$15,694,000 from the Electric Program Investment Charge Fund.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By <i>W. Wail</i>	Date <i>8/28/15</i>
Department Director <i>[Signature]</i>	Date <i>8-28-15</i>	Agency Secretary <i>[Signature]</i>	Date <i>8/31/15</i>

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA	Original Signed By: Ellen Moratti	Date submitted to the Legislature <i>11/7/16</i>
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BCP Fiscal Detail Sheet

BCP Title: Electric Program Investment Charge (EPIC) Funding

DP Name: 3360-005-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5340 - Consulting and Professional Services - External	0	4,500	0	0	0	0
54XX - Special Items of Expense	0	11,194	11,194	7,462	7,462	7,462
Total Operating Expenses and Equipment	\$0	\$15,694	\$11,194	\$7,462	\$7,462	\$7,462
Total Budget Request	\$0	\$15,694	\$11,194	\$7,462	\$7,462	\$7,462

Fund Summary

Fund Source - State Operations

3211 - Electric Program Investment Charge Fund

	0	5,691	1,191	794	794	794
Total State Operations Expenditures	\$0	\$5,691	\$1,191	\$794	\$794	\$794

Fund Source - Local Assistance

3211 - Electric Program Investment Charge Fund

	0	10,003	10,003	6,668	6,668	6,668
Total Local Assistance Expenditures	\$0	\$10,003	\$10,003	\$6,668	\$6,668	\$6,668

Total All Funds

\$0	\$15,694	\$11,194	\$7,462	\$7,462	\$7,462
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Program Summary

Program Funding

2390019 - Research and Development

	0	15,694	11,194	7,462	7,462	7,462
Total All Programs	\$0	\$15,694	\$11,194	\$7,462	\$7,462	\$7,462

Analysis of Problem

A. Budget Request Summary

The Energy Commission requests an increase of \$11.194 million in Electric Program Investment Charge (EPIC) program and administration funds in Fiscal Year (FY) 2016/17. The California Public Utilities Commission (CPUC) Decision 15-04-020, issued on April 9, 2015, approved the EPIC Second Triennial Investment Plan and all associated funding for the three-year period of 2015 through 2017. This decision also provided inflation for the EPIC Second Triennial Investment Plan. This increase raises the approved EPIC program funds from \$345,000,000 to \$365,004,500 and administration funds from \$38,400,000 to \$40,782,600, while still maintaining the 10% cap on administrative funding.

The EPIC program enables cost-beneficial achievements of California's clean energy goals. The funding allocations reflect the state's energy priorities as articulated in the "loading order". The program portfolio of projects emphasizes achieving greenhouse gas (GHG) emission reductions; cost-effective efficiency; achieving 33 percent renewables; the transformation and electrification of the transportation sector; and a "smart grid" that can promote this transformation.

Category	Fiscal Year			Total
	2015/16	2016/17	2017/18	
EPIC Program Funding	115,000,000	115,000,000	115,000,000	345,000,000
EPIC Administration Funding	12,800,000	12,800,000	12,800,000	38,400,000
Inflation/Other Adjustments to Increase EPIC Program Funding Approved by CPUC	-	10,002,250	10,002,250	20,004,500
Inflation/Other Adjustments to Increase EPIC Administration Approved by CPUC	-	1,191,300	1,191,300	2,382,600
Total EPIC Expenditures	127,800,000	138,993,550	138,993,550	405,787,100

This proposal also requests \$4.5 million in one-time technical assistance from the EPIC fund for technical support activities. These funds come from salary and operating savings in FY 2013/14 and FY 2014/15. The \$4.5 million will be applied as technical support to assist in the implementation and oversight of the EPIC First and Second Triennial Investment Plans.

The total request is for \$15,694,000 from the Electric Program Investment Charge Fund.

Beginning in FY 2018/19 the increase to baseline funding is \$7.462 million.

B. Background/History

The EPIC program provides ratepayer funding for applied research and development, technology development demonstration and deployment, and market facilitation of clean technologies for electricity to support the following: electricity ratepayer and societal benefits (promote greater reliability, lower costs, and increased safety); GHG emissions mitigation and adaptation in Assembly Bill 32 (Nunez, Chapter 488, Statutes of 2006); Executive Order S-3-05 goal to reduce GHG emissions to 80 percent below 1990 levels by 2050; the electricity sector at the lowest possible cost; the "loading order" from the Energy Action Plans; low-emission vehicles/transportation; safe, reliable, and affordable energy services; economic development; and efficient use of ratepayer funds.

In CPUC Decision 12-05-037, approved on May 24, 2012, the CPUC selected the Energy Commission to administer 80 percent of the funds collected for EPIC and directed the three investor owned utilities

Analysis of Problem

(IOUs) to administer 20 percent of the EPIC funds collected. The First and Second Triennial Investment Plans submitted to the CPUC identified how the proposed EPIC funds would be executed by the Energy Commission and the three IOUs for 2012-2014 and 2015-2017. The CPUC Decision 15-04-020, issued on April 9, 2015, approved the Energy Commission's Second Triennial Investment Plan and approved the funding increase. All EPIC funds are administered under the oversight and control of the CPUC.

Resource History (Dollars in thousands)

Program Budget	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Authorized Expenditures*	N/A	1,094	193,386	373,889	128,485
Actual Expenditures	N/A	558	5,291	183,466	
Revenues	N/A	12,508	12,801	177,614	
Authorized Positions	N/A	4.5	63.0	86.0	86.0
Filled Positions	N/A	4.5	39.5	59.2	
Vacancies	N/A	0	23.5	26.8	

*Authorized Expenditures include carryover (FY 2014/15)

C. State Level Considerations

California has a long history supporting emerging clean energy technologies and strategies through a variety of policy approaches and programs. The EPIC program is one of the state's primary efforts to evaluate, demonstrate and deploy new and emerging clean energy technologies so the state can continue to meet its aggressive clean energy goals.

Energy innovation has a history of success in California. Investments through the Energy Commission and other research programs complement private corporate funding by providing guidance and signals relative to state policies, sharing results widely, and funding research not adequately addressed by competitive or regulated markets. Research and development (R&D) investments reduce risk to investors, accelerate the path to market for emerging technologies, address barriers, and support projects through energy innovation pipeline phases.

Although California leads the nation in energy efficiency, more investments in energy innovations and creativity are critical to achieving the state's aggressive climate and energy goals. For more than three decades, the Energy Commission has administered successful R&D programs that have driven innovation and advanced science to benefit ratepayers, making their energy choices safer, more reliable and less costly.

If the requested inflation escalation increase is approved, this will allow the Energy Commission, as EPIC Program Administrator, to increase funding for the EPIC program as approved and directed by the CPUC Decision 15-04-020 issued on April 9, 2015. This funding will be used to implement the Second Triennial Investment Plan.

The one-time \$4.5 million in technical support funding will allow the Energy Commission to effectively utilize the program funds provided by the CPUC.

D. Justification

These funds were provided and approved by the CPUC to manage and oversee the EPIC program. This proposal requests the ability for the Energy Commission to accept and implement the additional funds as a result of the cost increase approved by the CPUC Decision 15-04-020 issued on April 9, 2015 to fund projects that will accelerate transformation to a low-carbon energy infrastructure. The one-time technical assistance will support the implementation of the EPIC program as authorized and approved by the CPUC.

Analysis of Problem

E. Outcomes and Accountability

The EPIC program is established with a series of oversight and coordination efforts that will ensure the outcomes are appropriate and the overall program is administered transparently. The direction for the use of the program funds will be published and publically available in the EPIC Triennial Investment Plans. These plans are developed through a series of public workshops and all organizations and the public have multiple opportunities to review and comment. The Triennial Investment Plan will be approved at a public meeting of both the Energy Commission, the CPUC and the public and any organization may comment during the established public review process. The execution and use of the EPIC program funds will be reported to the legislature and the CPUC in annual program status reports. As a result, there will be ongoing oversight and assessment regarding the effectiveness of these program activities.

- *What controls will be in place to ensure the appropriate use of the requested resources or authority?*

Funding for the EPIC program will be managed in compliance with the Triennial Investment Plan. The awarding of funding for grants, contracts and other funding vehicles will be subject to Energy Commission management and Executive Office review and will follow normal contract and grant award processes. Additionally, the awards will be discussed and awarded through the Energy Commission's public Business Meeting process.

- *How will the requested resources be accounted for and monitored?*

The resources used in the EPIC program will be planned and executed through the Triennial Investment Plan that is developed through the Energy Commission and CPUC public workshop process and approved by the CPUC through a public process.

- *Will there be progress and/or outcome reports completed? If so, how often and to whom will they be distributed?*

The execution and use of the EPIC program funds will be reported to the Legislature and CPUC in annual program status reports that will be made available to the public. Additionally, the Energy Commission along with the three IOU administrators will hold two public events annually to invite the public to participate in program planning and research project updates.

- *How will improvements or changes be measured?*

Part of the required annual reporting process will be on the benefits and value of the investments made through the EPIC program.

F. Analysis of All Feasible Alternatives

1. Do Nothing

Pro

Additional appropriation for increased funding is not needed.

Con

Without the additional funds, the Energy Commission will not be able to fully implement the EPIC Second Triennial Investment Plan as directed.

2. Authorize use of the requested EPIC funds

Pro

Authorizing use of the additional collected EPIC funds and one-time technical support will allow the Energy Commission to fully administer the EPIC program as approved in the Second Triennial Investment Plan.

Analysis of Problem

Con

Additional appropriation needed for the increase in funding.

G. Implementation Plan

The additional EPIC funds will be used to execute the EPIC program as approved in the Second Triennial Investment Plan, published and approved by the CPUC, in FY 2016/17 and FY 2017/18. The funds will be executed through competitive process per Senate Bill 96 (Committee on Budget and Fiscal Review, Chapter 356, Statutes of 2013).

The one-time \$4.5 million in technical support funding will provide the opportunity to:

- Award and manage more small grants in California. These additional technical support funds open a broader opportunity to entrepreneurs, university researchers and emerging technology companies to obtain critical funding to demonstrate innovative ideas that address the energy needs of California. The additional technical support funds permit the awarding of an increased level of EPIC program funds to small grants.
- Complete a more aggressive and thorough outreach to underserved communities in California and provide them information on opportunities to assess or demonstrate new and emerging energy efficiency, renewable and other clean energy technologies. Having the ability to obtain technical assistance from industry experts adds to the capability of the Energy Commission to expand the outreach activities and reach a broader field of recipients.
- Assist in the oversight of clean energy activities that support the ratepayers of the IOUs in California that provide funding to the EPIC program by providing unique and very specific expertise to assist in reviewing competitive proposals when special qualifications are needed.
- Complete site assessments and analysis of technical problems that occur during the execution of EPIC applied research, demonstration and deployment agreements. Normally, these highly specialized engineering and scientific specialties are available in the commercial market and not available with existing staff. Due to the short-term nature, unpredictable workload and highly specialized nature of this work, it is not appropriate for the Energy Commission to hire temporary and intermittent staff for these activities.
- Provide technical assessments and reviews of proposals submitted to the EPIC program when a specific engineering or scientific specialty is needed and not readily available on Energy Commission staff.
- Assist in developing market facilitation activities that will guide new and emerging technologies through the commercialization process in support of the EPIC First and Second Triennial Investment Plans.

H. Supplemental Information

None.

I. Recommendation

The recommended alternative is Option 2. Approve the increase in EPIC program and administrative funds as approved by the CPUC in Decision 15-04-020 and approve \$4.5 million in one-time technical support.